

Kentucky Agricultural Development Board

Minutes of the June Board Meeting

The regular meeting of the Kentucky Agricultural Development Board was held on **June 18, 2004** at **10:00 AM CDT**, at the Holiday Inn, Hopkinsville. Commissioner Richie Farmer, presiding, called the meeting to order, and the Secretary called the roll.

Members Present

Donna Amburgey; H. Barlow; Daniel Case; Larry Clay; Rodney Dick; Commissioner Richie Farmer; Wayne Hunt; Sam Lawson; Sam Moore; Mike Slaughter; Dean M. Scott Smith; Secretary Gene Strong (Don Goodin, designee)

Members Absent

Vickie Yates Brown; Governor Ernie Fletcher; and Eddie Sellers

Others Present

Staff – Catherine Ball; David Bratcher; Brian Furnish; Sandy Gardner; Kara Keeton; Maggie May; Bill McCloskey; Joel Neaveill; Brad Nelson; Keith Rogers; Brad Wellons; Stephen Yates **Guests** – Todd Perry, Siemer Milling, Co.; Lowell Atchley, Legislative Research Commission (LRC); Biff Baker, LRC; Robert H. Amburgey; Blake Oliver, Community Farm Alliance (CFA); Rod Frazier, Frazier, Barnes & Associates (FBA); Pete Moss, FBA; Jimmy Doss, Hopkinsville Elevator Cooperative; Jimmy & Linda Baird, Little Kentucky Smokehouse;

Notification of Media

Commissioner Farmer received verification from Keith L. Rogers, Chief Executive Officer, that the media had received notice regarding the Agricultural Development Board meeting.

Welcome

Commissioner Farmer welcomed everyone to the meeting and to Hopkinsville. Commissioner Farmer noted that the Commonwealth Agri-Energy (CAE) grand opening was the day before, and congratulated them on the opening. Commissioner Farmer welcomed guests to the meeting and noted that his father was in attendance.

Commissioner Farmer took the opportunity to thank the staff for their hard work in keeping the Board running smoothly.

Wayne Hunt offered a detailed tour of the CAE facility for any interested member, as the tours during the grand opening just provided an outline of the operation.

Commissioner Farmer thanked Mr. Hunt for having the Board and staff over to his farm for a picnic Thursday evening.

Approval of Minutes

The minutes of the May 21, 2004 meeting were approved as presented.

Executive Director's Report

Commissioner Farmer yielded the floor to Keith L. Rogers for the Executive Director's Report.

Mr. Rogers announced that there would be two brief presentations to start off the meeting.

First, Rod Frazier of Frazier, Barnes & Associates provided an update of their biodiesel study. Jimmy Doss introduced Mr. Frazier and provided an introduction to the presentation.

Mr. Frazier provided a timeline of getting to this study. Mr. Frazier yielded the floor to Pete Moss to begin the presentation.

Mr. Moss defined biodiesel and specifications for B100 Biodiesel. Mr. Moss described biodiesel's performance characteristics. Additionally, Mr. Moss described the different biodiesel blends.

Mr. Moss reviewed the emissions benefits of biodiesel, as well as projected ethanol and biodiesel demand.

Mr. Moss reviewed the potential for biodiesel in Kentucky. Mr. Moss yielded the floor to Mr. Frazier to talk about project specifics.

Mr. Frazier described the addition of biodiesel to the Hopkinsville Elevator Company's (HEC) Biofuel Processing Center Model. Mr. Frazier pointed out the approach they are presenting is an integrated one.

Mr. Frazier showed a comparison of product yields for biofuel production alternatives (ethanol, biodiesel). Mr. Frazier reviewed the production advantages of potential HEC Biodiesel production.

Mr. Frazier reviewed future additions to the HEC Biofuel processing center, such as utilization of corn germ and identity preserved soybeans. Mr. Frazier thanked the Board.

Dean Smith asked how many bushels of soybeans needed to produce 13 million gallons of biodiesel. Mr. Frazier indicated that 9 million needed and HEC currently handles about 6 million bushels.

Mr. Rogers thanked Mr. Frazier and Mr. Moss for presenting to the Board.

Mr. Rogers introduced Jimmy and Linda Baird for an update on their project, Little Kentucky Smokehouse, funded in summer of 2003.

Mr. Baird provided an update of their current product line. Mr. Baird noted that their first shipment started August 2003, and they have been running wide open

since then. Mr. Baird added that this week's production of hams will total 32,000. Currently they are running at full capacity with 50 employees, up from zero last year. Approximately 7,000 square feet is to be added to Little Kentucky Smokehouse to increase production by 10,000 hams per week. Product is being shipped to every Distribution Center for Kroger and Wal-Mart across the country. Mr. Baird stated that their product is the highest quality they can produce with no water added.

Mr. Baird described the "Kentucky Natural Farms" hormone-free, antibiotic-free product, which was supported by the Agricultural Development Fund. Mr. Baird indicated that samples of this product were available for the Board and guests to try. This product includes loins, ribs, and other parts, in addition to the hams. This product is being shipped through some new Whole Foods places, and others. This project started one year ago with \$6,800 already paid back to the farmer group, and another \$50,000 to be sent and by the end of this year the farmer group will have been paid \$100,000 above what they receive from the packers. Mr. Baird commented that the farmer group and the Bairds are looking at the direction the group wants to take in the future, regarding expansion. Currently 30 thousand hams per week are produced, which is 15,000 hogs per week. Mr. Baird noted that he does have to supplement Kentucky grown with hogs from larger groups (Excel, Swift, etc.) to meet production.

Mr. Baird indicated that he has a new proposal submitted for the Board's consideration, which was in the original plan as something that would happen in year 5. Mr. Baird gave a glimpse of the upcoming products through this project, which involves meal replacements, which utilizes a technology to allow the refrigerated to last 60 days.

Mr. Baird thanked the Board and invited them to visit the farm / plant.

Mr. Rogers opened the floor for questions.

Dean Smith asked how many Kentucky hogs they are getting from the co-op. Mr. Baird indicated everything that they can get, which is about 50,000 head per year. Mr. Baird indicated that they are getting to the stage where they can pay a smaller premium for "regular" hogs just for the Kentucky product, which will not be the drug-free product. Central Kentucky is producing 2,400 hams/week and the Bairds are processing 30,000 hams/week.

David Bratcher provided a background update for newer members. Mr. Bratcher noted that Little Kentucky Smokehouse was awarded a \$900,000 forgivable loan for a \$3.6 million project. The forgiveness is a \$.05/pound ham premium paid back to the co-op referred to earlier. Mr. Bratcher commented that a first year payback of \$100,000 in 10 months is phenomenal.

Mr. Rogers thanked Jimmy and Linda for coming and noted that they had brought samples for everyone to try.

Mr. Rogers reminded guests to sign in at the front, so that there is a record of their attendance.

Mr. Rogers announced the grand opening of McDowell Farms Salsa will be held Monday, June 21 in Germantown.

Mr. Rogers recognized Catherine Ball as the new legal counsel for the Governor's Office of Agricultural Policy who joined staff on Wednesday.

Mr. Rogers reviewed items in the Update Folder: referral of applications list, minutes, withdrawn applications list, list of projects not executing agreements within 6 months, a letter from the Community Farm Alliance to Governor Fletcher, a letter from Simmer Milling Company, a memo from David on match policy with a combination of KAFC and ADF requests, and the financial summary for the ADF accounts.

Mr. Rogers announced that the KY Farm Bureau Ham Breakfast is August 26. Mr. Rogers invited the Board members to attend.

Mr. Rogers updated the Board on a meeting with the Governor, concerning the Bio Conference, an annual meeting of the biotechnology companies. Mr. Rogers noted Large Scale Biology in Owensboro will be working with Planet Biotech on pharmaceutical tobacco. Governor Fletcher, yesterday, pulled together a meeting with representatives of University of Kentucky, University of Louisville, GOAP, Office of New Economy, and others. Governor Fletcher asked the group to put together a project working group to focus Kentucky's efforts through the Natural Products fund. Mr. Rogers noted that all three budget proposals asked the Agricultural Development Board to consider \$5 million for the Natural Products fund; however, currently there is no dollar amount under consideration by the working group, which may find that the current funding may be sufficient.

Mr. Rogers noted that the July meeting will be on the 16th in Frankfort, and the August meeting will be August 20 at the State Fair.

Mr. Rogers thanked Sam Lawson for representing the Board on the selection committee for the Entrepreneurial Coaches Institute.

Mr. Rogers reminded members that July 15 is the West Kentucky Grower Cooperative's open house event in Owensboro. Each member should be receiving an invitation directly from the Cooperative.

Mr. Rogers noted out that the Belcan update on the agenda was for the Red Committee this morning and will not be discussed in Old Business.

Mr. Rogers updated the Board on the Purchase Area Aquaculture Cooperative (PAAC). Mr. Rogers indicated that PAAC's audit by the KY Center for Cooperative Development (KCCD) was recently received. Mr. Rogers gave timeline of meetings between staff, KCCD, and PAAC. Mr. Rogers noted that a letter has been received from PAAC stating that they agree with a portion of the audit to get a professional general manager with experience.

Mr. Rogers provided an update on the June Tobacco Settlement Agreement Fund Oversight Committee meeting. Mr. Rogers noted that there was good discussion, but no issues that need to be brought to the Board's attention.

Mr. Rogers noted that in April the Board approved a working group for Farmland Preservation. Mr. Rogers thanked Rodney and Donna for sitting in on the working group. Mr. Rogers noted that he still needs two more members to serve on this. Mr. Rogers noted that a representative from the American Farmland Trust to overview what other states are doing to raise revenue for PACE type programs. The focus for next meeting, which will be in mid-July, will focus on the individual funding mechanisms. The group hopes to meet 3 to 4 times by the September Board meeting.

Referral of August Projects¹

Mr. Rogers presented projects A2004-0239 to A2004-0311 for referral to the Board's Project Review Committees. Danny Case moved that projects A2004-0239 to A2004-0311 be referred the Board's Project Review Committees; Larry Clay seconded the motion. The motion passed without dissent.

Approval of Model Programs²

Commissioner Farmer submitted projects A2004-0187, A2004-0244, A2004-0245, A2004-0246, A2004-0255, A2004-0256, A2004-0266, A2004-0272, A2004-0282, A2004-0293, and A2004-0298 as projects meeting the model **Agricultural Diversification Program** guidelines.

Commissioner Farmer submitted projects A2004-0225, A2004-0262, A2004-0281, and A2004-0290 as projects meeting the model **Fencing Improvement Program** guidelines.

Commissioner Farmer submitted projects A2004-0207, A2004-0229, A2004-0280, and A2004-0294 as projects meeting the model **Forage Improvement & Utilization Program** guidelines.

Commissioner Farmer submitted project A2004-0194 as a project meeting the model **Forage Improvement Shared-Use Equipment** guidelines.

Commissioner Farmer submitted projects A2004-0237, A2004-0258, A2004-0268, and A2004-0301 as projects meeting the model **Genetics Improvement Program** guidelines.

Commissioner Farmer submitted projects A2004-0240, A2004-0243, A2004-0261, A2004-0265, A2004-0279, A2004-0286, A2004-0292, and A2004-0297 as projects meeting the model **Goat Diversification Program** guidelines.

Commissioner Farmer submitted projects A2004-0228, A2004-0247, A2004-0251, A2004-0254, A2004-0260, A2004-0263, A2004-0267, A2004-0278, A2004-0295, A2004-0299,

¹ A detailed list of the referred projects is attached as Appendix A.

² A detailed list of projects funded under each model program category is attached as Appendix B.

and A2004-0304 as projects meeting the model **Cattle Handling Facilities Program** guidelines.

Commissioner Farmer submitted projects A2004-0198, A2004-0241, A2004-0253, A2004-0259, A2004-0264, A2004-00277, A2004-0285, A2004-0291, and A2004-0296 as projects meeting the model **Hay, Straw & Commodity Storage Program** guidelines.

Commissioner Farmer submitted projects A2004-0239 and A2004-2089 as projects meeting the model **On-farm Water Enhancement Program** guidelines.

Commissioner Farmer submitted project A2004-0300 as a project meeting the model **Revolving Loan Fund** guidelines.

Rodney Dick moved that said applications be approved for the named model programs; Donna Amburgey seconded the motion. The motion passed without dissent.

Review of Amendments

Commissioner Farmer presented the following amendment for approval.

A2003-0225, Menifee County Beef Producers, Inc. was approved for \$39,000.00 on June 20, 2003. The applicant requests an additional \$20,000 to complete the Hay, Straw, and Commodity Storage program for Menifee County. The Menifee County Council gave the request a high priority. The duration of the agreement remains 18-months from the execution date of the original agreement (August 19, 2003). Approval of this request would bring the program total to \$59,000.

A2003-0388, Menifee County Beef Producers, Inc. was approved for \$52,500.00 on September 19, 2003. The applicant requests an additional \$49,000 to complete the Fencing Improvement program for Menifee County. The Menifee County Council gave the request a high priority. The duration of the agreement remains 12-months from the execution date of the original agreement (December 29, 2003). Approval of this request would bring the program total to \$101,500.

A2003-0481, Magoffin County Conservation District was approved for \$50,000.00 on September 19, 2003. The applicant requests an additional \$69,264 to complete the Fencing Improvement program for Magoffin County. The Magoffin County Council gave the request a high priority. The duration of the agreement remains 12-months from the execution date of the original agreement (August 27, 2003). Approval of this request would bring the program total to \$119,264.

A2003-0499, Lewis County Conservation District was approved for \$40,000.00 on November 21, 2003. The applicant requests an additional \$109,200 to complete the Hay, Straw, and Commodity Storage program for Lewis County. The Lewis County Council gave the request a high priority. The duration of the agreement remains 18-months from the execution date of the original agreement (December 1, 2003). Approval of this request would bring the program total to \$149,200.

A2003-0161, Lewis County Conservation District was approved for \$100,000.00 on September 19, 2003. The applicant requests an additional \$97,965 to complete the

pilot Hay, Straw, Grain Handling program for Lewis County. The Lewis County Council gave the request a high priority. The duration of the agreement remains 12-months from the execution date of the original agreement (December 1, 2003). Approval of this request would bring the project total to \$197,965.

A2003-0648, Adair County Cattlemen's Association was approved for \$50,000.00 on January 16, 2004. The applicant requests a decrease in project funds of \$26,000 to the On-farm Water Enhancement Program. These funds are to be returned and reallocated to the Agricultural Diversification (A2003-0650), Fencing Improvement (A2003-0649), and the Hay, Straw, & Commodity Storage (A2003-0647) programs for Adair County. Approval of this request would bring the program total to \$24,000.

A2003-0650, Adair County Cattlemen's Association was approved for \$50,000.00 on January 16, 2004. The applicant requests an increase in project funds of \$2,000 for the Agricultural Diversification Program. These funds are to be reallocated from the On-farm Water Enhancement Program (A2003-0648). Approval of this request would bring the program total to \$52,000.

A2003-0649, Adair County Cattlemen's Association was approved for \$42,387.00 on January 16, 2004. The applicant requests an increase in project funds of \$13,613 for the Fencing Improvement Program. These funds are to be reallocated from the On-farm Water Enhancement Program (A2003-0648). Approval of this request would bring the program total to \$56,000.

A2003-0647, Adair County Cattlemen's Association was approved for \$100,000.00 on January 16, 2004. The applicant requests an increase in project funds of \$10,387 for the Hay, Straw, & Commodity Storage Program. These funds are to be reallocated from the On-farm Water Enhancement Program (A2003-0648). Approval of this request would bring the program total to \$110,387.

A2004-0206, Grayson County Cattlemen's Association, Inc. was approved for \$25,000.00 on May 21, 2004. Due to an entry error, the incorrect amount for the Grayson County Cattle Handling Program was approved. The correct amount should be \$65,000.

A2003-0008, Laurel County Cattlemen's Association was approved for \$100,000.00 on February 15, 2002. The applicant requests a decrease in project funds of \$18,347.23 for the Forage Improvement Program. These funds have been returned and shall be reallocated to the Hay, Straw, and Commodity Storage Program (A2004-0114). Approval of this request would bring program funds to \$81,652.77.

A2004-0114, Laurel County Cattlemen's Association was approved for \$50,000.00 on April 29, 2004. The applicant requests an increase in project funds of \$18,347.23 for the Hay, Straw, and Commodity Storage Program. These funds shall be reallocated from the Forage Improvement Program (A2003-0008). Approval of this request would bring program funds to \$68,347.23.

A2003-0351, Daviess County Conservation District was approved for \$100,000.00 on January 16, 2004. The applicant requests an increase of \$9,900 to complete their pilot project for cost-share assistance for installation of subsurface drainage systems. The objective of this pilot project is to improve crop yields to poorly

drained soils. The Daviess County Council gave this amendment a high priority. Based on the sign-ups to date cost-share on a prorated basis is approximately \$800 per producer, which will be recalculated to include this additional amount. All other provisions of the original legal agreement shall remain the same. Approval of this request would bring the project total to \$109,900.00.

Mike Slaughter moved that said amendments be approved; Mr. Case seconded the motion. The motion passed without dissent.

Committee Reports

Red Project Review Committee

Recommendations for Funding

Sam Lawson reported for the Red Project Review Committee (PRC). Mr. Lawson noted that the Red PRC is presenting six projects for funding consideration.

Mr. Lawson presented **A2004-0171, Owen County Farm Bureau**. The application received a high priority from Owen County. The applicant requested \$31,800 in Owen County funds to establish a cost-share lime and phosphate fertilizer program for local producers. The applicant also requests a 25% producer match for this program with a reimbursement of \$11/ton of quarried lime and \$200/ton on triple superphosphate or di-ammonium phosphate with a \$2,000 lifetime maximum per producer.

Mr. Lawson noted that the Committee recommends approving this project similar to other approved lime programs, thus eliminating the phosphate fertilizer and the 25% producer match, as well as reducing the per ton reimbursement for lime to \$7.66/ton. Mr. Lawson moved that A2004-0171 be approve for \$31,800 in Owen County Funds; Sam Moore seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2004-0172, Riverview Farmers' Market**. The application received a high priority from Carroll County. The applicant requested \$6,290 in Carroll County Funds for the farmers market in Carroll County. The funds will be used to purchase tables, certified scales, and tents for the market, as well as promotional materials. Mr. Lawson reviewed the proposed terms and conditions. Mr. Lawson moved that A2004-0172 be approved for \$6,290 in Carroll County funds; Larry Clay seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2004-0188, Meade County Farmers' Market, Inc.** The application received a high priority from Meade County. The applicant requested \$1,000 in Meade County funds to be used for marketing and promotion of the newly established market. The Meade County Farmers' Market is in its second year and will provide marketing opportunities for at least ten Meade County producers, during the 2004 growing season. Mr. Lawson reviewed the proposed terms and conditions. Mr. Lawson moved that A2004-0188 be approved for \$1,000 in Meade County funds; Donna Amburgey seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2004-0190, Metcalfe County Conservation District**. The application received a high priority from Metcalfe County. The applicant requested \$105,000 in Metcalfe County funds to implement a Lime Cost-share Program to improve productivity of established farmland. This program will encourage producers to balance their soil pH with the proper lime application, which will improve the efficiency and effectiveness of herbicides and fertilizer applications. This translates into higher crop yields and an increase in net farm income. Mr. Lawson reviewed the proposed terms and conditions. Mr. Lawson moved that A2004-0190 be approved for \$105,000 in Metcalfe County funds; H. H. Barlow seconded the motion. The motion passed without dissent.

Recommendations for No Funding

Mr. Lawson presented **A2001-0598, University of Louisville, Inc.** The applicant requested \$4,000,000 in state funds to establish an endowed Chair at the University's College of Business and Public Administration Entrepreneurial Program. The University proposes to develop programs to assist tobacco farmers diversify and expand agribusiness markets. Mr. Lawson moved that no funds be awarded to A2001-0598 on the basis that this would be a duplication of effort of the two existing Land Grant Institutions in the Commonwealth; Mr. Case seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2001-0326, Kentucky Highlands Investment Corporation**. The applicant requested \$1,050,000 in state funds to establish a revolving loan fund servicing farmers in an eleven county area in southeastern Kentucky. Mr. Lawson moved that no funds be awarded to A2001-0326 on the basis that this would be duplicative of the Revolving Loan Fund model county program, as well as conflicting with the Board's direction to fund the KY Agricultural Finance Corporation with state funds; Mr. Hunt seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2004-0203, Mammoth Cave Area Goat Producers Association, Inc.** The applicant requested \$1,322 in Monroe County funds to assist in the cost of a building on the Western Kentucky University farm to be used to provide a bi-annual goat performance test and sale. Mr. Lawson moved that no funds be awarded to A2004-0203 on the basis that the Monroe County Council ranked the project a low priority; Mr. Barlow seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2004-0211, Barren River Development District, Inc.** The applicant requested \$60,000 in Monroe County funds to continue offering the Goat Diversification Program. Mr. Lawson moved that no funds be awarded A2004-0211 on the basis that the Monroe County Council ranked the project a low priority; Ms. Amburgey seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2004-0212, Monroe County Farm Bureau**. The applicant requested \$90,000 in Monroe County funds to implement the Agricultural Diversification program. Mr. Lawson moved that no funds be awarded A2004-0212 on the basis that the Monroe County Council ranked the project a low priority; Mr. Barlow seconded the motion. The motion passed without dissent.

Mr. Lawson presented **A2004-0233, Mountain Cattlemen's Association**. The applicant requested \$2,000 in Owsley County funds for the regional East Kentucky Fruit Producers Agritourism and Marketing project. Mr. Lawson moved that no funds be awarded A2004-0233 on the basis that the Owsley County Council ranked the project a low priority; Mr. Hunt seconded the motion. The motion passed without dissent.

Blue Project Review Committee

Recommendations for Funding

H. H. Barlow reported for the Blue Project Review Committee (PRC). Mr. Barlow noted that the Blue PRC is presenting three projects for funding consideration.

Mr. Barlow suggested moving Siemer Milling to the end of the funding report, since there could be a long discussion for this project.

Mr. Barlow presented **A2004-0223, Fulton County 4-H Club**. The application received a high priority from Fulton County. The applicant requested \$420 in Fulton County Funds to create a library of educational books, CD ROMs, and videos for students to check-out. Additionally a portion of the funds would be used to purchase metal panels to make a show ring. Mr. Barlow moved that A2004-0223 be approved for \$420 in Fulton County Funds; Mr. Case seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0236, Caldwell County Conservation District**. The application received a high priority from Caldwell County. The applicant requested \$1,000 in Caldwell County funds to assist with conducting a Progressive Farmer Home and Farm Safety Day on June 24, 2004 at the UK Research and Education Center in Princeton. The program shall be offered to 170 students kindergarten through fifth grades in Caldwell County. Mr. Barlow moved that A2004-0236 be approved for \$1,000 in Caldwell County funds; Mr. Case seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0167, Siemer Milling Company**. The application received a high priority from Christian, Caldwell, Todd, and Simpson Counties. The applicant requested \$1,176,906 in state and county funds to construct a wheat mill in Hopkinsville that will provide a market for low quality, non-food grade wheat to be used in the production of a glue extender. Mr. Barlow presented the discussion in Committee between staff's recommendation and Siemer's proposal, which was included in each member's update folder. Mr. Barlow noted that the letter indicates that the applicant's request dropped from \$1.177 million to \$1 million, as a forgivable loan.

Mr. Rogers explained how the number of bushels was figured for forgiveness. Mr. Rogers explained the difference between the recommendation and the proposal: staff's recommendation is based on the new capacity; applicant's proposal is based on additional market increase of KY wheat purchased.

Mr. Barlow noted that the Committee was tied two to two on recommending staff's recommendation versus the applicant's proposal.

Mr. Rogers noted that representatives from Siemer Milling were present to answer questions.

Mr. Moore asked if there was a payback if the number of bushels required were not purchased in a given year. Mr. Rogers indicated yes, and further explained how forgiveness would work.

Mr. Rogers noted that staff's recommendation gives the applicant until July 31 to get the county contributions up to \$200,000, and that payments start in two years (in the Siemer proposal payments start in one year).

Mr. Goodin asked if staff's proposal was consistent with what has been done with other projects. Mr. Rogers indicated that it was, based on the new product line/new capacity, as opposed to creating a new market for Kentucky wheat beyond the new capacity.

Mr. Hunt commented, but noted that he is abstaining from voting due to his involvement with the group. Mr. Hunt noted that this is not just a regional project, but a state project.

Dean Smith asked about the current plant capacity for flour – how many more bushels could they take without any expansion. Todd Perry, Siemer Milling, indicated that the facility process 8 million bushels, but quality has been an issue recently because of head scab. Mr. Perry also indicated that this project would help with this problem of non-food grade wheat.

Sam Moore stated that this type of project is not one that we need to do, we have to do. Mr. Moore noted that it fits the criteria that we have set as a Board: provides a market, adds value to a Kentucky product, affects a large number of producers, and provides jobs. Mr. Moore stated that if we [the Board] can guarantee that this project comes here through Siemer's proposal, then he recommended the Board do it. Mr. Moore posed the question to Rick Siemer that if the Board chose Siemer Milling's proposal could he guarantee that the project would come to Kentucky. Mr. Siemer stated that it is an easier decision if their amendment is approved. Mr. Moore requested a yes or no answer, if the Board approves their amendment. After discussion, Mr. Siemer indicated that they would commit to Kentucky if the Siemer proposal was approved.

Mr. Moore moved the amended proposal version; Mr. Hunt seconded the motion. The motion passed without dissent.

Recommendations for No Funding

Mr. Barlow presented **A2003-0152, Kentucky Community & Technical College System**. The applicant requested \$813,456 in state funds to provide education and information on lifelong career learning and development in Northeast Kentucky, as a pilot project. Mr. Barlow moved that no funding be awarded A2003-0152 on the

basis that this would be a duplication of existing services; Mr. Dick seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0220, Cartersville Slaughter & Processing Plant, Inc.** The applicant requested \$60,000 in state funds to purchase and renovate a slaughter facility in Cartersville in order to upgrade it to an USDA slaughterhouse. Mr. Barlow moved that no funds be awarded A2004-0220 on the basis that the project lacks viable match; Mr. Case seconded the motion. The motion passed without dissent.

Mr. Barlow presented **A2004-0230, Caldwell-Lyon Cattlemen Association, Inc.** The applicant requested \$25,000 in Caldwell County funds to administer a Hay, Straw, and Commodity Storage program. Mr. Barlow moved that no funds be awarded A2004-0230 on the basis that the Caldwell County Council ranked the project a low priority; Mr. Dick seconded the motion. The motion passed without dissent.

Old Business

Dean Smith question about the Sheltolee Confidentiality agreement, and if the Board is required to sign. After discussion, it was determined that staff would look into the issue and for the moment the Board does not need to sign the statement. Any statements that were returned will be held by staff.

Mr. Bratcher reviewed the list of projects that have not Executed Legal Agreement within the 6-month timeframe.

A2001-0871 Lewis County Vegetable Producers Association Inc.

In March of 2002, Lewis County Vegetable Growers Association received \$99,030 in Lewis County funds to purchase land along the AA Highway in Vanceburg for the county's farmers market. As a condition of funding, the applicant was to obtain appropriate road access that met state and federal guidelines. Since the applicant has not been able to do so and is looking at a different location, they have not executed a legal agreement. The applicant has indicated the possibility of submitting an application related to the new location.

A2002-0676 Kentucky Specialty Meats, Inc.

At the May 2003 Board meeting, Kentucky Specialty Meats, Inc. received \$454,125 in state funds, \$251,825 as a forgivable loan and \$202,300 as a low interest loan, to expand their USDA approved commercial meat processing plant to specialize in goat meat products. The funds will also be used to establish a retail meat center to promote goat, sheep, pork, and beef products. The applicant has not been able to provide evidence of sufficient match, and thus has not executed their legal agreement.

A2003-0214 In Town Winery, LLC

At the November 2003 Board meeting, In Town Winery, LLC received \$1,000 in Jefferson County funds and \$294,509 in state funds as forgivable loan for the expansion of the winery, including a tasting room and retail center, into a new location on the Louisville waterfront. See memo from David Bratcher, regarding specific details of this withdrawal.

The Red Committee recommended giving In Town Winery their requested extension to September 1.

Mr. Case moved that A2001-0871 and A2002-0676 be withdrawn and that A2003-0214 be granted their extension; Mr. Dick seconded the motion. The motion passed without dissent.

Mr. Rogers reviewed applications withdrawn by the applicant (A2003-0529, KY Premium Beef Systems, and A2003-0483, Felice Vineyards). Mr. Rogers noted that no Board action is necessary, as these were withdrawn by the applicant.

New Business

Commissioner Farmer yielded the floor to Mr. Bratcher for an update on Commonwealth Agri-Energy. Mr. Bratcher noted that the mortgage requires Board action for any leases. [Letter passed out prior to meeting.] Mr. Bratcher pointed out that they need consent for the \$3 / ton payment to the fiscal court. Mr. Bratcher indicated that staff recommends both requests for approval. Mr. Moore moved for approval of each request; Dean Smith seconded the motion. Mr. Hunt abstained. The motion passed without dissent.

Mr. Bratcher reviewed the first application for the county Revolving Loan Fund model program. Mr. Bratcher yielded the floor to Bill McCloskey for program details.

Mr. McCloskey highlighted the points of the Ohio Co. Model Revolving Loan Fund: funds would be for model program match to meet 50% requirement, equipment loans for things other than model program eligible items would not be eligible, non-model requests for loans must be presented to the Ohio County Agricultural Development Council, operating loans are not eligible, loans will range from \$5,000 to \$10,000, and the rate of interest will be 2% below New York prime (no less than 2%).

Mr. McCloskey explained the administrative process for this program once approved by the Board.

Mr. Bratcher indicated that the security documents will be the Bank's. The Board is already in agreement with the Agricultural Finance Corporation to administer the Revolving Loan Program. KAFC will enter into a Master Inter-creditor Agreement with the financial institution.

Ms. Amburgey asked if the farmer determines which bank he uses. Mr. Bratcher confirmed that as long as the financial institution has agreed to participate, then the producer can pick any financial institution.

Dean Smith asked if having the KAFC funds match the model program funds would be inconsistent with the next item on the agenda. Mr. McCloskey and Mr. Bratcher indicated that the funds used to match are Agricultural Development Funds in the form of a loan; KAFC's only role is as administrator. No KAFC funds would be involved in this program.

Mr. Moore moved that A2004-0300 be approved as the first model county Revolving Loan Fund; Mr. Goodin seconded the motion. The motion passed without dissent.

Commissioner Farmer yielded the floor to Mr. Rogers to review the memo regarding state and KAFC funds. Mr. Rogers reviewed a memo regarding policy for combining KAFC and KADB funds. Mr. Case moved to adopt the policy that the total participation between ADB funds and KAFC funds not exceed 50% of the project costs; Mr. Dick seconded the motion. The motion passed without dissent.

Mr. Rogers noted that this is David's last month in his current role. Brian Furnish will take on those duties, but Mr. Bratcher may continue to work with KAFC. Mr. Rogers thanked Mr. Bratcher for his assistance over the last several months and asked Board to shown appreciation with applause.

Mr. Bratcher commented that he had worked with many Boards over his career and this is a unique group who is dedicated to the cause to the point of taking calls at home from aggrieved applicants. Mr. Bratcher gave KUDOS to the Board for the work that they have done.

Commissioner Farmer thanked David personally for his hard work.

Closing Remarks

The next meeting of the Kentucky Agricultural Development Board will convene at 1:00 PM EDT on Friday, July 16, 2004 in Frankfort. Note time and location of meeting subject to change; ample notification will be given if such a change occurs.

The meeting adjourned at 12:20 p.m. CDT.

APPROVED: _____

PRESIDING OFFICER: _____

SECRETARY: _____

Appendix A: New Applications for Referral

<i>Appl #</i>	<i>Project Name</i>	<i>Project Type</i>
A2004-0169	Southern Kentucky Ag Development for Rockcastle Co. Beef Cattle Association	Hay, Straw and Commodity Storage
A2004-0170	Owen County High School Agriculture Department	Project
A2004-0171	Owen County Farm Bureau	Project
A2004-0172	Riverview Farmers' Market	Project
A2004-0173	Sweet Home Spun	Project
A2004-0174	Meade County Grain Growers Inc.	Hay, Straw and Commodity Storage
A2004-0175	Meade County Conservation District	Forage Improvement
A2004-0176	Meade County Goat Producers Association, Inc.	Goat Diversification
A2004-0177	Meade County Cattlemen's Association, Inc.	Handling Facilities
A2004-0178	Meade County Cattlemen's Association, Inc.	Genetics Improvement
A2004-0179	Meade County Cattlemen's Association, Inc.	Fencing Improvement
A2004-0180	Clinton/Cumberland Cattlemen's Association, Inc.	Genetics Improvement
A2004-0181	Metcalfe County Cattlemen's Association, Inc.	Fencing Improvement
A2004-0182	Barren River Development District, Inc.	Goat Diversification
A2004-0183	Barren River Development District, Inc.	Agricultural Diversification
A2004-0184	Hardin County Pork Producers Associaton, Inc.	Agricultural Diversification
A2004-0185	Ohio County Conservation District	Hay, Straw and Commodity Storage
A2004-0186	Barren River Development District, Inc.	Goat Diversification
A2004-0187	Barren River Development District, Inc.	Agricultural Diversification
A2004-0188	Meade County Farmer's Market, Inc	Project
A2004-0189	Meade County Grain Growers Inc.	Project
A2004-0190	Metcalfe County Conservation District	Project
A2004-0191	Bullitt County Chamber of Commerce	Project
A2004-0192	Estill County Conservation District	Agricultural Diversification
A2004-0193	Lyon County Farm Bureau	Handling Facilities

Appendix A: New Applications for Referral

<i>Appl #</i>	<i>Project Name</i>	<i>Project Type</i>
A2004-0194	Crittenden County FFA Alumni	Forage Improvement - Shared Use
A2004-0195	Central Kentucky Angus Sales, Inc	Project
A2004-0196	Rowan County Fiscal Court	Agricultural Diversification
A2004-0197	Rowan County Fiscal Court	Goat Diversification
A2004-0198	Robertson County Conservation District	Hay, Straw and Commodity Storage
A2004-0199	Robertson County Conservation District	On-farm Water Enhancement
A2004-0200	Anderson County Farm Bureau Federation	On-farm Water Enhancement
A2004-0201	Anderson County Farm Bureau	Fencing Improvement
A2004-0202	Tom's Feed Service	Project
A2004-0203	Mammoth Cave Area Goat Producers Associaton, Inc.	Project
A2004-0204	SKAC, Inc.	Project
A2004-0205	Grayson County Cattlemens Association Inc.	Genetics Improvement
A2004-0206	Grayson County Cattlemens Association Inc.	Handling Facilities
A2004-0207	Grayson County Conservation District	Forage Improvement
A2004-0208	Monroe County Conservation District	Handling Facilities
A2004-0209	Monroe County Cattlemen's Association, Inc.	Hay, Straw and Commodity Storage
A2004-0210	Caldwell-Lyon Cattlemen's Association, Inc.	Fencing Improvement
A2004-0211	Barren River Development District, Inc.	Project
A2004-0212	Monroe County Farm Bureau	Project
A2004-0213	Bath County Farm Bureau of Bath County, Kentucky	Project
A2004-0214	Bath County Farm Bureau of Bath County, Kentucky	Agricultural Diversification
A2004-0215	Bath County Conservation District	Hay, Straw and Commodity Storage
A2004-0216	McCreary County Agricultural Development Board	Project
A2004-0217	McCreary County Agriculture Development Board	Project

Appendix A: New Applications for Referral

<i>Appl #</i>	<i>Project Name</i>	<i>Project Type</i>
A2004-0218	Clinton/Cumberland Cattlemen's Association, Inc. and South-Eastern Kentucky Ag. Development Association, Inc.	Handling Facilities
A2004-0219	Rowan County Fiscal Court	Project
A2004-0220	Cartersville Slaughtter & Processing Plant, Inc.	Project
A2004-0221	Hardin County Extension District Board	Hay, Straw and Commodity Storage
A2004-0222	2004 County Council Administrative Expenses	Project
A2004-0223	Fulton County 4H Club	Project
A2004-0224	Webster County Conservation District	Project
A2004-0225	Northern Kentucky Goat Producers, Inc.	Fencing Improvement
A2004-0226	Todd County Cattlemens Association, Inc.	Genetics Improvement
A2004-0227	DUPLICATE	Project
A2004-0228	Caldwell County Farm Bureau	Handling Facilities
A2004-0229	Caldwell County Conservation District	Forage Improvement
A2004-0230	Caldwell/Lyon Cattlemen Association, Inc.	Project
A2004-0231	Pulaski County Cattlemen's Association, Inc.	Handling Facilities
A2004-0232	DUPLICATE	Project
A2004-0233	Mountain Cattlemen's Association	Project
A2004-0234	Owsley County Board of Education	Project
A2004-0235	Owsley County Conservation District	Project
A2004-0236	Caldwell County Conservation District	Project
A2004-0237	Beef Improvement Council, Inc.	Genetics Improvement
A2004-0238	Sheltowee Farm Inc.	Project

Appendix B: County Model Programs List***Agricultural Diversification***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0187	Barren River Development District, Inc.	Barren	\$60,000.00
A2004-0266	Casey County Cattlemen's Association, Inc.	Casey	\$30,180.00
A2004-0272	Jessamine County Sheep & Goat Producers	Jessamine	\$29,486.00
A2004-0255	Marion County Farm Bureau	Marion	\$25,000.00
A2004-0256	Marion County Farm Bureau	Marion	\$40,000.00
A2004-0298	KY Home Pork Producers, Inc.	Nelson	\$25,000.00
A2004-0282	Owen County Farm Bureau	Owen	\$26,500.00
A2004-0293	Scott County Beef Improvement Association	Scott	\$53,500.00
A2004-0244	Campbellsville-Taylor County Chamber of Commerce, Inc.	Taylor	\$31,500.00
A2004-0245	Campbellsville-Taylor County Chamber of Commerce, Inc.	Taylor	\$21,000.00
A2004-0246	Taylor County Cattlemen's Association, Inc.	Taylor	\$50,000.00
		Sub Total	\$392,166.00

Appendix B: County Model Programs List***Fencing Improvement***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0262	Gallatin County Livestock Association	Gallatin	\$75,000.00
A2004-0225	Northern Kentucky Goat Producers, Inc.	Kenton	\$51,500.00
A2004-0281	Owen County Farm Bureau	Owen	\$212,000.00
A2004-0290	Scott County Beef Improvement Association	Scott	\$133,750.00
		Sub Total	\$472,250.00

Appendix B: County Model Programs List***Forage Improvement***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0229	Caldwell County Conservation District	Caldwell	\$19,000.00
A2004-0207	Grayson County Conservation District	Grayson	\$25,000.00
A2004-0280	Owen County Farm Bureau	Owen	\$26,500.00
A2004-0294	Scott County Beef Improvement Association	Scott	\$12,840.00
Sub Total			\$83,340.00

Appendix B: County Model Programs List***Forage Improvement - Shared Use***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0194	Crittenden County FFA Alumni	Crittenden	\$11,515.00
		Sub Total	\$11,515.00

Appendix B: County Model Programs List***Genetics Improvement***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0237	Beef Improvement Council, Inc.	Breckinridge	\$55,000.00
A2004-0268	Casey County Cattlemen's Association, Inc.	Casey	\$40,000.00
A2004-0258	Green River Area Beef Improvement Group, Inc.	Hancock	\$35,000.00
A2004-0301	Green River Area Beef Improvement Group, Inc.	Webster	\$6,500.00
Sub Total			\$136,500.00

Appendix B: County Model Programs List***Goat Diversification***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0261	Central Kentucky Meat Goat Producers Association, Inc.	Adair	\$35,000.00
A2004-0240	Ft. Harrod Goat Association	Anderson	\$8,125.00
A2004-0286	Central Kentucky Meat Goat Producers Association, Inc.	Casey	\$50,000.00
A2004-0265	Gallatin County Livestock Association	Gallatin	\$20,000.00
A2004-0297	Central Kentucky Meat Goat Producers Association, Inc.	Nelson	\$10,000.00
A2004-0279	Owen County Farm Bureau	Owen	\$10,600.00
A2004-0292	Scott County Beef Improvement Association	Scott	\$4,280.00
A2004-0243	Central Kentucky Meat Goat Producers Association, Inc.	Taylor	\$25,500.00
		Sub Total	\$163,505.00

Appendix B: County Model Programs List***Handling Facilities***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0228	Caldwell County Farm Bureau	Caldwell	\$19,000.00
A2004-0267	Casey County Cattlemen's Association, Inc.	Casey	\$125,000.00
A2004-0299	Estill County Cattlemen's Association	Estill	\$52,500.00
A2004-0263	Gallatin County Livestock Association	Gallatin	\$35,000.00
A2004-0260	Green River Area Beef Improvement Group, Inc.	Hancock	\$20,000.00
A2004-0254	Marion County Cattlemen's Association, Inc.	Marion	\$100,000.00
A2004-0278	Owen County Farm Bureau	Owen	\$42,400.00
A2004-0251	Southern Kentucky Ag Development on behalf of Rockcastle County Cattlemen's Association	Rockcastle	\$50,000.00
A2004-0295	Scott County Beef Improvement Association	Scott	\$24,610.00
A2004-0247	Taylor County Cattlemen's Association, Inc.	Taylor	\$50,000.00
A2004-0302	Green River Area Beef Improvement Group, Inc.	Webster	\$10,606.00
		Sub Total	\$529,116.00

Appendix B: County Model Programs List***Hay, Straw and Commodity Storage***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0285	Clinton/Cumberland Cattlemen's Association, Inc.	Cumberland	\$83,200.00
A2004-0264	Gallatin County Livestock Association	Gallatin	\$75,000.00
A2004-0259	Green River Area Beef Improvement Group, Inc.	Hancock	\$35,000.00
A2004-0253	Hart County Cattlemen's Association, Inc.	Hart	\$50,500.00
A2004-0296	Nelson County Conservation District	Nelson	\$93,000.00
A2004-0277	Owen County Farm Bureau	Owen	\$53,000.00
A2004-0198	Robertson County Conservation District	Robertson	\$40,000.00
A2004-0291	Scott County Beef Improvement Association	Scott	\$85,600.00
A2004-0241	Taylor County Cattleman's Association, Inc.	Taylor	\$80,000.00
Sub Total			\$595,300.00

Appendix B: County Model Programs List***On-farm Water Enhancement***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0239	Fayette County Conservation District	Fayette	\$118,000.00
A2004-0289	Scott County Beef Improvement Association	Scott	\$48,150.00
		Sub Total	\$166,150.00

Appendix B: County Model Programs List***Revolving Loan Program***

<i>App #</i>	<i>Project Name</i>	<i>County</i>	<i>Funds</i>
A2004-0300	Ohio County Agricultural Development Council	Ohio	\$100,000.00
		Sub Total	\$100,000.00